

SIDLEY AUSTIN BROWN & WOOD LLP

CHICAGO
DALLAS
LOS ANGELES
NEW YORK
SAN FRANCISCO

1501 K STREET, N.W.
WASHINGTON, D.C. 20005
TELEPHONE 202 736 8000
FACSIMILE 202 736 8711
www.sidley.com
FOUNDED 1866

BEIJING
GENEVA
HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

WRITER'S DIRECT NUMBER
(202) 736-8214

WRITER'S E-MAIL ADDRESS
dlevy@sidley.com

**PUBLIC VERSION
(REDACTED)**

March 14, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: WC Docket No. 02-384, *Application by Verizon Maryland Inc., Verizon Washington D.C. Inc., Verizon West Virginia Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization to Provide In-Region, InterLATA Services in Maryland, Washington, D.C., and West Virginia*

Dear Ms. Dortch:

This responds to a request by the Commission's Staff for information on whether AT&T has ever received refunds of nonrecurring charges for collocation space based on a 30-year depreciation period. The answer appears to be negative, although Verizon has never provided AT&T with sufficient *documentation* to allow AT&T to verify the asset lives assumed by Verizon with certainty. Verizon's "Collocation Credits" letters have identified only a lump-sum refund amount for each location, and have offered no information on the amortization period implicitly used in computing the refund.

AT&T surrendered collocation space leased from Verizon at a number of wire centers in Verizon South (i.e., former Bell Atlantic) territory in 2001. On November 18, 2001, AT&T wrote to Verizon asking for a quantification of the refund credits to which AT&T was potentially

Marlene H. Dortch
March 14, 2003
Page 2

entitled for the returned space. Letter from Thomas LoFrisco to Kenneth Mahieu (Nov. 16, 2001) (reproduced in Attachment 1 hereto).¹

Verizon responded by e-mail on November 29, 2001, stating that certain of the vacated AT&T spaces were “in the early stages of being transitioned to another carrier.” Verizon added that it would “issue any appropriate credits to AT&T” once the successor CLECs “complete all of the steps required on their part.” E-mail from Kenneth Mahieu to Thomas LoFrisco (Nov. 29, 2001) (reproduced in Attachment 1 hereto).

Verizon did not credit AT&T with refunds, however, until the following summer. The limited documentation provided by Verizon for the refunds appeared in the following letters, all of which are reproduced in Attachment 2 hereto:

- By letter dated July 18, 2002, Verizon provided the lump sum amounts that it was crediting to AT&T as refunds for collocation space returned by AT&T at Verizon central offices in Livingston and Edison, New Jersey; Pemberton, Virginia; and Georgia Avenue in Washington, DC.
- By letter dated September 16, 2002, Verizon stated the lump sum credit that Verizon intended to refund for collocation space returned by AT&T at a Verizon central office in Bellevue, Pennsylvania.
- By letter dated September 19, 2002, Verizon revising certain of the credit amounts previously stated for the locations covered in the July 18 letter, reducing the collocation refund for the Georgia Avenue wire center in the District of Columbia by nearly \$6,000.²

In none of the three letters did Verizon specify any of the dollar inputs, initial occupancy dates, or assumptions to Verizon’s calculations (other than the amount of space assertedly reused by successor occupants) assumed in computing the refunds, including the amortization period assumed by Verizon, or the starting date of the successor occupant.³

¹ The documents reproduced in Attachment 1 also appear in West Virginia Appendix B (Case No. 02-0809-T-P, Tab 23, Verizon Rebuttal Testimony (Nov. 4, 2002), Attachments 211 and 212.

² The documents reproduced in Attachment 2 also appear in West Virginia Appendix B (Case No. 02-0809-T-P, Tab 23, Verizon Rebuttal Testimony (Nov. 4, 2002), Attachment 210.

³ AT&T has no independent means to determine the starting date of the successor occupant. Once the initial CLEC tenant vacates its collocation space, the CLEC loses all right of access to

Marlene H. Dortch
March 14, 2003
Page 3

AT&T did not flush out of Verizon its use of the 12-year depreciation life until later. AT&T is unaware of any public documentation, available at the time, disclosing that Verizon utilized or intended to use a 12-year amortization period.⁴ Unable to replicate the refund amounts purportedly calculated by Verizon, AT&T pressed Verizon for supporting detail underlying the calculations later in 2002. It was in those discussion sessions that Verizon revealed—for the first time—that it was using the assumption of a 144-month (i.e., 12-year) asset life in calculating “collocation credits”—i.e. *pro rata* refunds.

Please feel free to let us know if Staff has any further questions on this matter. The 20-page limit does not apply.

Very truly yours,

David M. Levy

Counsel for AT&T Corp.

the space. Indeed, AT&T has no independent means to determine whether Verizon or some CLEC was the subsequent occupant.

⁴ As explained in previous AT&T filings in this case, AT&T relied on the publicly available documentation of the KPMG Final Report, the state and federal collocation tariffs, and the Commission’s *Expanded Interconnection Order* for its expectation that the amortization period was 30 years.

**THE ATTACHMENTS TO THIS LETTER CONTAIN AT&T
PROPRIETARY INFORMATION THAT IS SUBJECT TO THE
PROTECTIVE ORDER IN THIS PROCEEDING, AND HAVE BEEN
REDACTED.**